

ORIGINAL

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Renewal of Experimental Classification and)
Fees for Weight-Averaged Nonletter-Size)
Business Reply Mail)

Docket No. MC99-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS JAMES M. KIEFER
(OCA/USPS-T1-19-32)
April 9, 1999

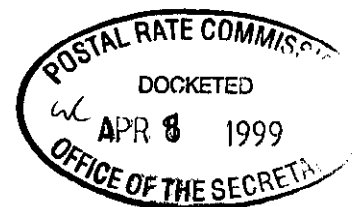
Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T1-1-7 to witness James M. Kiefer, dated March 26, 1999, are hereby incorporated by reference.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE


Ted P. Gerarden
Director

Kenneth E. Richardson
Attorney



OCA/USPS-T1-19. The following questions relate to witness Schenk's prepared testimony filed in MC99-2:

- a. Please indicate the applicable year for the sample periods randomly chosen as listed on witness Schenk's Exhibit USPS-3A.
- b. Please confirm that later additional dates will be selected randomly for all future accounting periods of the weight-averaging program?
- c. On page 11 of witness Schenk's testimony, it indicates the cost estimates for the weight-averaging method were developed using data collected during the special cost study and data collected on volumes processed using the weight-averaging method at experiment sites during a twelve-month data collection phase at each site.
 1. Please explain how volume data during the special cost study was collected inasmuch as the Instructions and Form for the special cost study contained in Exhibit USPS-3B do not provide for the collection of volume data.
 2. Please explain what is meant by the "twelve-month data collection phase at each site." When did the twelve-month data collection phase occur?
 3. What was the last date from which the annual and monthly volume data are projected for use in the cost study?
 4. Are the costs of the "twelve-month data collection phase" reflected in the costs provided in response to previous interrogatories? If so, please explain. If not, please provide those costs.
 5. Please refer to pages 11-12 of the testimony. Inasmuch as the permanent authorization filing would not become effective until March 2000, the

estimated wage rate for wage increases, COLA and health benefits is increased in FY2000 by 2.93 percent. Because the extension of the experiment would relate to an earlier period, please recalculate and provide the unit cost per piece eliminating the estimated 2.93 percent increase in wage rate in FY 2000.

6. Does the Postal Service intend to continue sampling 20 sacks per sample period throughout the extended experimental phase until final authorization is received, at which time the sample would reduce to 10 sacks per sample period?

OCA/USPS-T1-20. Please indicate what ongoing or additional data gathering is provided for in the data collection plan presented by witness Fronk and approved by the Commission in the opinion in Docket No. MC97-1. What actions are being undertaken at this time to comply with the terms of the data collection plan?

OCA/USPS-T1-21. Please confirm that other than on-going costs, neither witness Schenk's cost study nor any other information filed in Docket Nos. MC99-1 or MC99-2 include any developmental or related start-up costs for the experimental nonletter-size business reply mail category and fee program. If this is not confirmed, please explain and indicate where those costs are located in the documents filed.

OCA/USPS-T1-22. Your testimony in Docket No. MC99-2, on page 12, states that charging a fee to recover set-up costs is appropriate in the experiment but should not be a part of a permanent weight averaging classification.

- a. Please confirm that the subsequent discussion at pages 18-20 of the same testimony indicates the reference is to specific set-up costs for an individual customer to commence weight averaging as distinct from development costs for the entire weight-averaging program.
- b. What is your view as to when and how development costs related to the entire program ought to be recovered in the fees for weight-averaging; during the experiment or during the permanent phase, or not at all?

OCA/USPS-T1-23. What was the first Postal Service fiscal year in which the experiment for new mail classification and fees for nonletter-size Business Reply Mail was budgeted?

OCA/USPS-T1-24. Please provide the total amounts budgeted by the Postal Service, by fiscal year, to develop the classification and fees for weight-averaged and reverse manifest business reply mail from inception of the program through the current fiscal year, 1999.

OCA/USPS-T1-25. You state at page 10 of the your prepared testimony in Docket No. MC99-2 that witness Schenk's testimony and study "shows that the fees charged during the experiment more than cover ongoing costs." Has witness Schenk undertaken any

study determining the extent to which the fees for the experiment cover any or all start-up costs for development including but not limited to consulting fees, data-collection, the special cost study, hardware, software, training, software user manual costs, or other start-up costs which are not included as part of the cost study presented in her testimony? If so, please provide the study or studies.

OCA/USPS-T1-26. Please provide the total amount of funds expended on the experimental nonletter-size business reply mail program since the inception of the program until the most recently available date for which information on expenditures is available and which are not included in the cost estimates in the testimony in Docket No. MC99-2.

OCA/USPS-T1-27. Please provide the total amount of funds currently expected to be expended for the experimental nonletter-size business reply mail program (including the requested extension period) from the date, relied upon in the response to OCA/USPS-T1-26, of the most recently available expense information until the anticipated end of the experiment, on or before February 29, 2000.

OCA/USPS-T1-28. Please provide a breakdown of the total expenditures identified in response to OCA/USPS-T1-26 and 27 for start-up of the experiment into the various components, such as hardware, software, consulting, training, training manual, user's manual, and marketing or such other components for which the expense information is available.

OCA/USPS-T1-29. If the Commission determines that development and start-up costs, as listed in OCA/USPS-T1-28, are to be collected in the fees for the weight-averaging service, and if they have not been or will not be recovered prior to the end of the initial experimental phase on June 7, 1999:

- a. Please indicate whether, in your opinion, they ought to be recovered through the per-piece fee, through the monthly fee, or a set-up fee during the experimental period.
- b. Please indicate what minimum fee schedule would insure recovery of the development costs during the entire experimental phase, including the extension, and provide for a markup of both 25 percent and 50 percent.

OCA/USPS-T1-30. Using witness Schenk's cost methodology, please calculate the markup for the weight-averaging service during the extended experimental phase if the fees were:

- a. \$.03 cents per piece and the monthly fee is \$3000;
- b. \$.02 cents per piece and the monthly fee is reduced to \$1000;
- c. \$.01 cent per piece and the monthly fee is reduced to \$600.

OCA/USPS-T1-31. The response to OCA/USPS-T1-3 states "Marketing Systems has requested a waiver for hardware/software work related to the stand-alone PC system."

- a. Please provide a copy of the entire request for waiver submitted by Marketing Systems and any follow-up documents submitted in support which are related to the request.

- b. Please provide copies of any responses received in response to the Marketing Systems request and indicate any formal oral responses that have been received in response to the request.
- c. Please state when Marketing Systems expects to receive a decision on the waiver request.

OCA/USPS-T1-32. Are the film processors responsible for the cost of Priority Mail service to send the sacks of mail which are trans-shipped from Boston, New York, and Philadelphia to the D.C. location for weight-averaging processing? Would these trans-shipment costs be incurred absent the weight-averaging program? Does the trans-shipment of the sacks of mail during the weight-averaging program cause the Postal Service to incur any additional costs related to the trans-shipment that would not occur under manual processing of the film processors business reply mail?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

A handwritten signature in black ink, reading "Kenneth E. Richardson". The signature is written in a cursive style with a large, stylized "K" and "R".

KENNETH E. RICHARDSON
Attorney

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